

# Memorandum

**To:** ISO Board of Governors

**From:** Roger Collanton, Vice President, General Counsel & Chief Compliance Officer

**Date:** August 24, 2016

**Re:** Regulatory report

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***This memorandum does not require Board action.***

## **Highlights**

- *FERC approved enhancements to the energy imbalance market and set a technical conference to address economic intertie bidding at energy imbalance market entity interties*
- *FERC approved improvements to settlement rules regarding the treatment of residual imbalance energy from variable energy resources and bid-cost recovery for all resources*
- *ISO filed for clarification or rehearing of FERC Order No. 827, which requires all newly interconnecting non-synchronous generators to provide reactive power*
- *ISO filed joint intervenor brief with Southern California Edison in D.C. Circuit in support of FERC's finding that, in accepting compensation in the form of accelerated deliverability capacity, the NextEra Desert Center Blythe waived any entitlement to merchant transmission congestion revenue rights*
- *ISO filed an amendment to the Dynamic Transfer Balancing Authority Operating Agreement with Western Area Power Administration – Desert Southwest Region*
- *ISO filed for a limited tariff waiver to treat the San Francisco Bay Area Rapid Transit District as a load serving entity for purposes of transitioning to congestion revenue rights and resource adequacy under the ISO tariff for 2017*
- *ISO and other ISO/RTO entities file joint comments regarding NERC reliability standard BAL-002-2 - Disturbance Control Standard*
- *HORUS Central Valley Solar 1 and 2 filed a complaint against the ISO, asserting the ISO interfered with its interconnection with Western Area Power Administration*

- **Federal Energy Regulatory Commission and related Court of Appeals matters**
  - **Order on proposed tariff revisions – energy imbalance market enhancements phase 2 (ER16-1518)**

On June 30, 2016, FERC accepted improvements to the energy imbalance market tariff, which included: (1) revisions to the assignment of the real-time congestion offset to balancing authority areas to better reflect the contribution of each to congestion at the interties; (2) permission to ISO to provide outage information directly to the reliability coordinator upon the energy imbalance market entity's request; (3) clarification that the administrative costs included in the default energy bid and start-up cost and minimum load cost calculations for an energy imbalance market participant should include the applicable administrative charges and not the charges reflected in ISO's grid management charge; (4) requirement that base schedules include approved, pending, and adjusted e-Tags for imports and exports; (5) provide for real-time local market power mitigation of energy imbalance market transfers on energy imbalance market internal interties; and (6) greater tariff detail regarding calculation of the marginal losses component of the locational marginal price. FERC, however, rejected the ISO's proposal to modify the tariff to clarify that implementing economic bidding at energy imbalance market external interties is not discretionary for the EIM entity. FERC also directed staff to convene a technical conference to gather additional information regarding the technical challenges regarding the implementation of economic bidding at energy imbalance market external interties.

- **Petitions for limited waiver; motions for clarification – Aliso Canyon (ER16-1649)**

On June 29, 2016, the ISO filed with FERC its motion to clarify that the provisions related to after-the-fact gas costs recovery apply to the energy imbalance market participating resources by the terms of sections 29.30 and 29.1 of the ISO tariff.

On July 1, 2016, the ISO filed with FERC its petition for limited waiver requesting a temporary suspension of the effectiveness of tariff revisions accepted on June 1, 2016 regarding the accuracy of the natural gas price index the ISO uses to calculate commitment costs, generated bids and default energy bids in the day-ahead market, until no later than August 5, 2016. FERC accepted this waiver request on August 4, 2016.

On August 3, 2016, the ISO filed with FERC a motion requesting clarification of FERC's June 1, 2016 order accepting the ISO's tariff amendment to address conditions related to the Aliso Canyon natural gas storage facility. The ISO sought to clarify that it is authorized to implement the interim tariff revisions relating to the improved gas price calculation process, or, in the alternative, a limited waiver until November 30, 2016, to allow the ISO to implement tariff revisions on an interim basis.

On August 5, 2016, the ISO filed a petition to extend the limited waiver granted in the August 4 order. The ISO also requested that FERC continue to suspend the effectiveness of the tariff revisions regarding the revised day-ahead gas price calculation procedures that

FERC accepted in the June 1 order, until no later than two business days after FERC rules on the ISO's August 3 motion for clarification.

- **Answer to La Paloma Generating Company LLC complaint (EL16-88)**

On July 7, 2016, the ISO filed its answer to the complaint filed by La Paloma Generating Company LLC on June 17, 2016, requesting that FERC dismiss the complaint, asserting that the ISO's denial of La Paloma's outage requests without providing additional compensation for La Paloma does not constitute a regulatory taking. On July 20 and July 28, the ISO answered protests and comments regarding the La Paloma complaint. The ISO responded that FERC should not require that the ISO allow generators to submit outages for economic reasons and compensate resources that are not under a resource adequacy contract when it denies outage requests. The ISO informed FERC that it intends to commence a stakeholder process in 2017 to address these issues. The ISO also noted it did not object to a FERC technical conference to consider issues raised by generators regarding adequate compensation in the ISO market.

- **ISO-Southern California Edison joint intervenor brief – NextEra Desert Center Blythe, LLC (D.C. Circuit 16-1003)**

On July 8, 2016, the ISO and SCE filed a joint intervenor brief in the Court of Appeals for the District of Columbia. The brief supports FERC's findings that in financing the interim West of Devers facilities, NextEra's Desert Center project received the benefit of its bargain in the form of accelerated deliverability capacity, and waived any entitlement to Merchant Transmission congestion revenue rights under the ISO tariff.

- **Response to deficiency letter – frequency response (ER16-1483)**

On April 21, 2016, the ISO submitted tariff revisions to facilitate compliance with the new frequency response requirements of North American Electric Reliability Corporation (NERC) Reliability Standard BAL-003-1 – *Frequency Response and Frequency Bias Setting*. Reliability Standard BAL-003-1 established new frequency response requirements for balancing authority areas. FERC issued a deficiency letter on June 17, requesting additional information regarding the measures the ISO would undertake to ensure compliance with the reliability standard. The ISO filed its detailed response to the deficiency letter on July 18, and an answer to protests on August 10.

- **Motion for clarification - reactive power requirements for non-synchronous generation (RM16-1)**

On July 18, 2016, the ISO filed a motion requesting that FERC clarify that repowering projects that require new inverters and an interconnection study constitute newly interconnecting resources under FERC Order No. 827.

- **Letter order accepting tariff amendment – improve settlement of variable energy resources and bid-cost recovery rules (ER16-1786)**

On July 20, 2016, FERC accepted the ISO's May 25, 2016 tariff amendment filing with revisions to improve its settlement rules regarding the treatment of imbalance energy for variable resources and its bid-cost recovery provisions for all resources, to be effective October 1, 2016.

- **ISO/RTO joint comments on proposed NERC Disturbance Control Standard (RM16-17)**

On July 25, 2016, the ISO joined other ISO/RTO entities to comment on the May 19, 2016 Notice of Proposed Ruling to approve revisions to NERC Reliability Standard, BAL-002: ***Disturbance Control Standard - Contingency Reserve for Recovery from a Balancing Contingency Event.***

- **Petition for limited waiver – BART (ER16-2327)**

On July 29, 2016, the ISO filed a petition for a limited tariff waiver to authorize the ISO to treat the San Francisco Bay Area Rapid Transit District (BART) as a load serving entity for purposes of obtaining congestion revenue rights and performing resource adequacy showings. The ISO requested that the waiver be granted by September 2, 2016, so that BART can participate in the 2017 annual congestion revenue rights process conducted in September-October 2016, and the monthly allocation process held in December 2016 for congestion revenue rights that are in effect January 2017. The waiver also will require that BART make a showing of its resource adequacy requirements in the annual 2017 process that begins at the end of October and in the January 2017 and February 2017 monthly resource adequacy processes that begin in November 2016 and December 2016, respectively.

- **Complaint filed by HORUS Central Valley Solar 1 and 2 (EL16-104)**

On July 29, 2016, HORUS Central Valley Solar 1 and 2 filed with FERC its complaint regarding its interconnection with Western Area Power Administration, and alleging the ISO interfered with the interconnection process. The ISO's answer to the complaint was filed on August 18, 2016. The ISO argued FERC should reject the HORUS complaint, which is based on HORUS's fundamental misunderstanding of the nature of the facilities to which it seeks to interconnect, the relevant provisions of the ISO tariff, and FERC's policy.

## Regulatory Agreements

- **Amendment to Dynamic Transfer Balancing Authority Operating Agreement with Western Area Power Administration – Desert Southwest Region**

On July 19, 2016, the ISO filed Amendment No. 1 to the Western Area Power Administration dynamic transfer balancing authority operating agreement. The amendment incorporates City of Anaheim's dynamic schedule of 40 megawatt value from Hoover Power Plant into the ISO balancing authority area, and modifies provisions of the agreement to allow periodic administrative changes to the agreement's schedules 1 and 2. The ISO requested an effective date of September 18, 2016.

## Reports filed

- **Negotiated default energy bids and major maintenance adders (ER06-615)**

On July 7, 2016 and August 8, 2016, the ISO submitted to FERC informational filings containing the rates or formulas used to calculate negotiated default energy bids, custom operations and maintenance adders, and major maintenance adders, that were implemented or modified for the months of June 2016 and July 2016.

- **Energy imbalance market transition period reports – NV Energy (ER15-2565)**

On July 1, 2016, the ISO submitted to FERC its report on the energy imbalance market transition periods for NV Energy for May 2016. The report was submitted pursuant to FERC's October 29, 2015 order directing the ISO to report on the transition period of NV Energy during its first six months of participation in the energy imbalance market. On June 28 and July 12, 2016, the Department of Market Monitoring submitted its independent assessments of the transition period of NV Energy, covering April 2016.

- **Energy imbalance market structural market power (ER14-1386)**

On July 8, 2016, the Department of Market Monitoring submitted its six-month informational report on structural competitiveness of the energy imbalance market.

- **Exceptional dispatch reports (ER08-1178 and EL08-88)**

On July 15, 2016 and August 1, 2016, the ISO submitted an exceptional dispatch informational reports on: (1) the price impact of exceptional dispatches as required by FERC in its September 2, 2009 order; and (2) an analysis of the degree of mitigation as required by tariff section 34.9.4. The reports covered April 2016 and May 2016. An exceptional dispatch is a dispatch or a commitment issued by the ISO to a resource outside

the operation of the ISO market to address operational needs that cannot be addressed by the ISO market.

- **Market disruption report (ER06-615 and ER07-1257)**

On July 15, 2016, the ISO submitted to FERC its monthly market disruption report for the period May 16-June 15, 2016. A market disruption is an action or event that causes a failure of the ISO market related to system operation issues or system emergencies.

- **Pay for performance year one changes (ER15-554)**

On June 30, 2016, the ISO submitted to FERC an informational report regarding the performance of resources providing regulation up and regulation down under the ISO's Order 755 market design, for the period January 1, 2015 through March 31, 2016.

### **California Public Utilities Commission matters**

- **Comments on Energy Division Track 2 Workshop Report (R.14-10-010)**

On June 29, 2016, the ISO filed comments on the Energy Division's Track 2 Workshop Report. The ISO supports unbundling effective flexible capacity from net qualifying capacity, however it recommended that the Commission defer consideration of proposals to modify the existing flexible capacity resource adequacy frameworks until additional analyses of existing mechanism and future needs are available.

- **Response to additional questions regarding 2018 and beyond demand response programs (R.13-09-011)**

On July 1, 2016, the ISO responded to Administrative Law Judge Hymes' May 20, 2016 ruling requesting responses to additional questions regarding 2018 and beyond demand response programs. On July 15, 2016 the ISO filed reply comments.

- **Response to City of Jurupa Valley's motion to dismiss (A.15-04-013)**

On July 14, 2016, the ISO filed its response to the City of Jurupa Valley's motion to dismiss Southern California Edison's request for a certificate of public convenience and necessity to construct the Riverside Transmission Reliability Project, as the project is needed to reliably serve load in the City of Riverside going forward, and will provide a second point of interconnection for the City of Riverside and Southern California Edison.

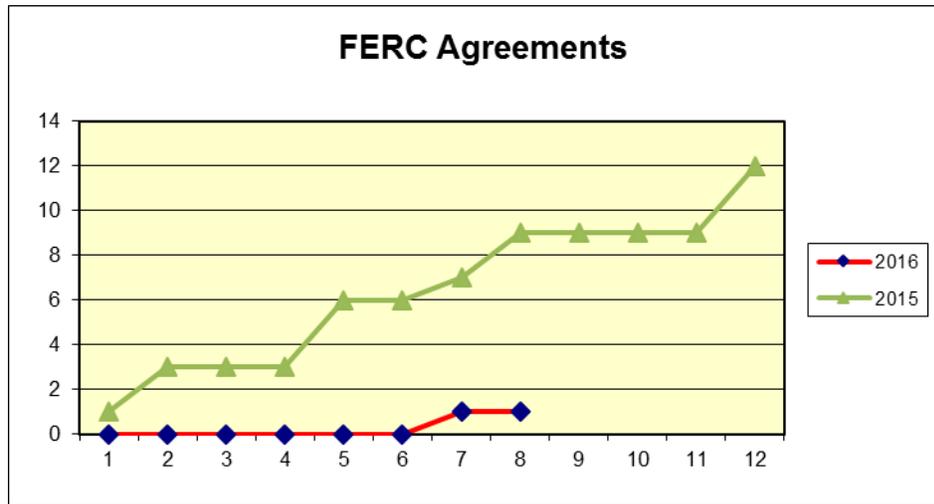
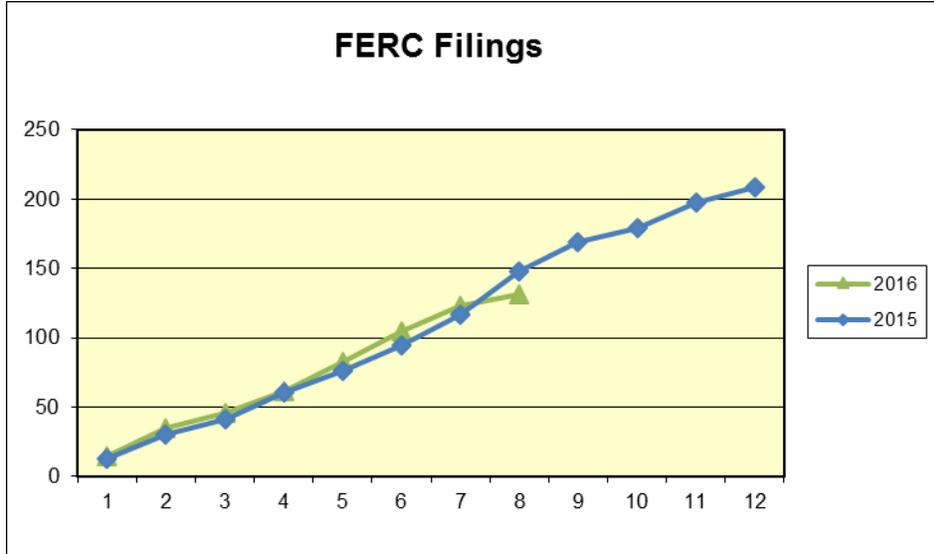
- **Comments on Center for Sustainable Energy’s grid planning demonstration project – Distribution Resource Plans (R.14-08-013)**

On July 22, 2016, the ISO filed comments in support of the Center for Sustainable Energy’s proposal. This is an important effort to integrate operational and planning activities between local government agencies, utility distribution companies, state agencies and the ISO. The recommended the CPUC approve the proposal as it is uniquely capable of testing operational coordination to support higher levels of distributed energy resource penetration, while also improving reporting and forecasting for distributed energy resource growth scenarios for planning purposes.

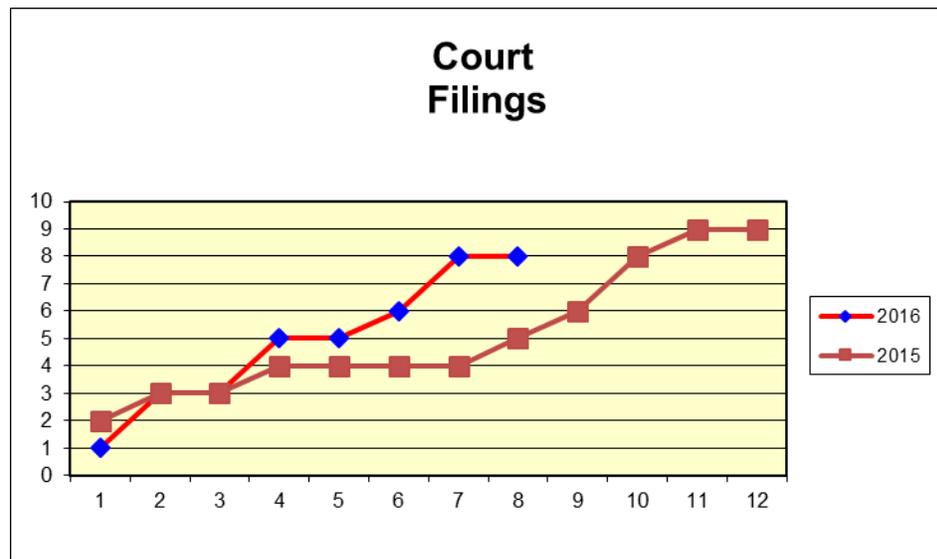
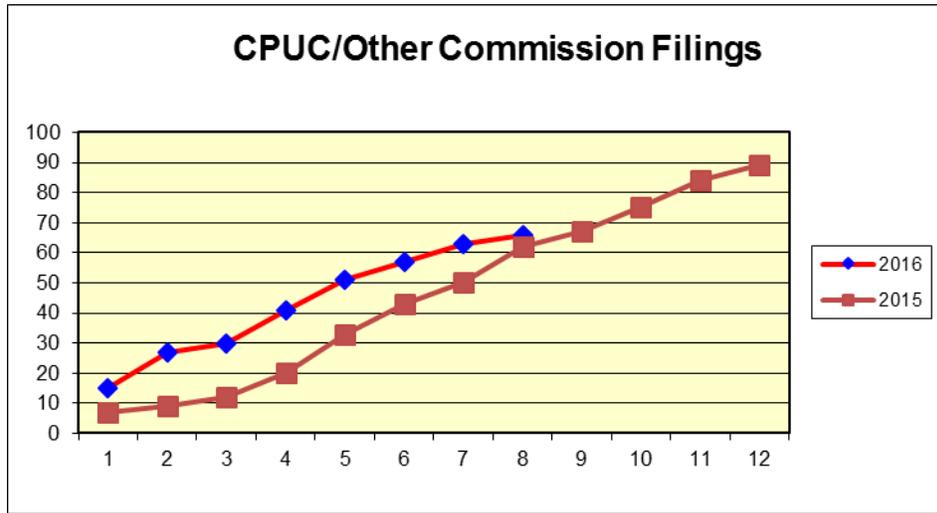
- **Motion for party status – Mesa Loop-In project (A.15-03-003)**

On July 28, 2016, the ISO filed for party status to participate in this proceeding. In particular, the ISO is concerned about the timing of the Commission’s review and SCE’s projected in-service date for the Mesa Loop-In project. The ISO identified the Mesa Loop-In project as necessary in part to address compliance with the State Water Resource Control Board’s policy on the use of once-through cooling technology in electric generation facilities. Pursuant to that policy, significant amounts of gas-fired electric generation in Southern California are expected to retire by the end of 2020. The Mesa Loop-In project was identified as necessary to preserve electric reliability in the area in light of these planned retirements. If the Mesa Loop-In project is delayed past the 2020 timeframe, additional mitigation measures may be required maintain electric reliability in Southern California.

# Regulatory Filings Through August 2016



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